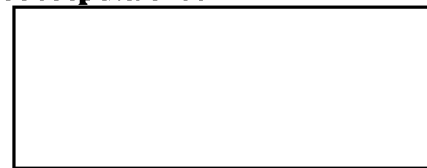


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Central Intelligence

Top Secret



National Intelligence Daily (Cable)

25 November 1978

DIA review(s) completed.

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CG NIDC 78-0274C

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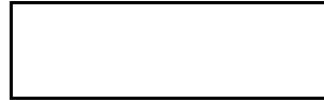
WARSAW PACT: Policy Differences

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IRAN: Harassment of Americans

25X1 [] Disturbances continue in major provincial towns in Iran, but Tehran has been relatively quiet over the past few days. Harassment of Americans, including fire-bombing attacks, is occurring on almost a daily basis. These incidents appear to be the work of individuals or small groups not associated with the two principal terrorist groups. While these attacks have not yet caused any deaths, a bomb removed from an American private clinic in Esfahan on Tuesday would have caused substantial damage and injury if it had exploded.

25X1 [] Heightened tensions and likely renewed violence during the Moharram mourning period that begins a week from today will increase the danger to Americans living in the cities. Demonstrations could be directed against American institutions or personnel with little or no warning. []



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CHINA: Political Atmosphere

25X1 [] The political atmosphere in Peking remained tense yesterday as wallposters, attracting large crowds, continued to question decisions made by Mao Tse-tung and to denounce actions taken by current members of the Politburo. The fates of some top officials could be decided at the high-level party leadership meeting that apparently began in mid-November and may be over this weekend.

25X1 [] Most posters and national media are focusing on the "Tienanmen Square Incident" of April 1976, which resulted in the temporary ouster of Vice Premier Teng Hsiao-ping and the promotion of Hua Kuo-feng. The most striking phenomenon, however, has been the appearance of posters directly critical of Mao. One poster, which has drawn large crowds, criticizes Mao's judgment with regard to former Defense Minister Lin Biao and the now purged "Gang of Four," the suppression of the 1976 Tienanmen riots, and the ensuing decision to oust Teng.

25X1 [] Another poster has appeared defending Mao's legacy, but the mood of the crowds in Peking was underscored by the reported beating of a youth who shouted pro-Mao slogans. Mao's prestige, which has been under subtle attack for several months, now appears to be at an all-time low.

25X1 [] The most obvious beneficiary of the recent public activity is Teng. Poster and editorial writers have espoused Teng's ideology, supported his policies, demanded that his name be cleared, and applauded his leadership. Party Chairman Hua Kuo-feng has only been indirectly criticized and does not appear to be the main target of the posters. Nonetheless, he rose to power in the wake of the "incorrect" suppression at Tienanmen and ouster of Teng and was confirmed by Mao--whose authority and mental competence at that time are now being openly questioned--and this robs him of a certain degree of "legitimacy."

25X1 [] Other Politburo leaders are probably in more serious jeopardy than Hua, and it is possible that their fates are being decided at the party meeting currently in session. We are not certain whether this meeting is a

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[redacted]

plenary session of the Central Committee or a work conference. A plenary session would be empowered to make high-level leadership changes, while a work conference would more likely be limited to a discussion of policy-related matters. Contrary to some press speculation, the Chinese have not publicly revealed any decisions. The leadership, for example, did not remove Politburo member Chi Teng-kuei from the ranks of the vice premiers, as has been reported, but only replaced him as First Political Commissar of the Peking Military Region, a fact which, while significant, has been apparent for some months.

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[redacted] The party meeting may conclude this weekend. Poster activity will no doubt continue for the next several days and may provide the first indications of the results of the meeting. [redacted]

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BOLIVIA: Padilla Ousts Pereda

25X1 [] The Bolivian Army Commander, General David Padilla, who helped President Juan Pereda take over last July, has ousted Pereda and installed himself in power with a promise to turn over the presidency to a civilian government next August. Padilla's pledge to hold a national election early next year has attracted immediate support from one major political group and probably will gain the backing of other parties soon.

25X1 [] //Padilla had strongly criticized Pereda's government for refusing to schedule an election before 1980. Padilla used the government's decision to ban a peaceful political rally--which he allowed to proceed as scheduled yesterday afternoon--to justify his takeover.//

25X1 [] Padilla's immediate task is to gain full control of the Bolivian Army; some Army officers are opposed to holding elections anytime soon. He does, however, have the backing of one of the most popular younger Army officers, Lt. Col. Raul Lopez Leyton, who helped orchestrate the coup. Padilla named Lopez to the powerful post of Interior Minister in the new government. Padilla has already selected the rest of his cabinet, which consists almost entirely of military officers.

25X1 [] The 51-year-old Padilla has survived a number of unscheduled changes in government while rising steadily through the military ranks. His relations with US officials, with whom he has had frequent contact in recent months, have been cordial. His political views are not well known, but he has spoken out against Marxist "influences" in Pereda's administration.

25X1 [] The coup will probably delay implementation of politically unpopular economic reforms, which are urgently necessary to correct a serious balance-of-payments problem and rapidly declining foreign reserves. If Padilla makes good on his promise to hold an election soon, it is likely he will suspend negotiations with the International Monetary Fund and hand over a depleted treasury to the civilian government next August.

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[REDACTED] Padilla's promise to hold an election does not rule out the possibility that the Army will field its own candidate. If it decides to take this course, ex-President Banzer may compete. Banzer, now Ambassador to Argentina, is no longer in the Army but still retains strong support within the Bolivian military.

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[REDACTED]

UNITED KINGDOM: Ford Strike Ends

25X1 [] //Ford of Britain and the automobile workers' unions have agreed to a 16.5-percent pay increase, ending a nine-week strike that cost the company nearly \$900 million in lost production. The settlement represents the first major breach of the British Government's current pay guidelines and is likely to establish a precedent for upcoming wage negotiations.//

25X1 [] //Prime Minister Callaghan's government is taking a hard line in the fourth stage of its income policy in the hope of preserving the substantial headway made against inflation over the past three years. The government's pay policy and other fiscal and monetary measures have helped reduce Britain's inflation rate from 27 percent in August 1975 to less than 8 percent last month. Callaghan is threatening to introduce tighter monetary and fiscal measures if breaches in the pay policy threaten an inflationary surge.//

25X1 [] //The pay increase by Ford, which more than triples the government's 5-percent guideline, almost certainly will provoke sanctions against the automaker. Smaller firms have lost government contracts for exceeding the varying limits set since the summer of 1975. Sanctions imposed against Ford may include withholding financial assistance for new investment projects and barring the purchase of Ford products by central government and municipal authorities.//

25X1 [] //The government can expect its pay policy to encounter increasing pressure. Confrontations involving several large firms and several public sector unions are on the horizon. In the continued absence of an agreement with the Trades Union Congress, the Labor government is likely pragmatically to accept settlements outside the guidelines and impose sanctions on a selective basis.

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25X1 [REDACTED]

BRIEFS

Nicaragua

25X1 [REDACTED] //Nicaragua's Sandinista guerrillas announced Thursday night that their long-anticipated offensive against the Somoza government would begin within 36 hours. The guerrillas' clandestine radio exhorted the Nicaraguan people to prepare for the "final offensive."//

25X1 [REDACTED]

Canada

25X1 [REDACTED] //Canadian Prime Minister Trudeau shuffled his cabinet yesterday in an effort to change his government's [REDACTED] image. In addition to shifting cabinet incumbents among several posts, Trudeau created a new "chairman of the board of economic development ministers," who will coordinate government departments concerned with the economy. He also disbanded one department in a cost-cutting measure. These moves underline Trudeau's commitment to improving the nation's economy while pursuing fiscal restraint. A general election will be held next year, and recent polls show the electorate is far more concerned with economic problems than with any other issue.//

25X1 [REDACTED] //Only two of the appointees are newcomers to the cabinet; the other changes either bring back a previous cabinet minister or shift portfolios within the existing cabinet. Trudeau had counted on fresh faces to draw on after the October byelections, but his ruling Liberal Party's trouncing--it lost 13 of the 15 contested seats--precluded that option. In any case, the shuffle is unlikely to have much impact on the Canadian electorate. [REDACTED]

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Syria

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[REDACTED] //Syria began rotating most of its troops in Lebanon Monday night, according to the US defense attache in Damascus. The rotation, which should take a few weeks to complete, probably will not result in a significant reduction of Syrian forces in Lebanon.//

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[REDACTED] //The move is long overdue. The Syrians had intended units to stay in Lebanon only for about six months. Units of the 9th Division, which have been in Lebanon for about a year and are now being replaced by units of the 5th Division, have endured the bulk of the fighting in Lebanon since the end of the civil war. The Syrians are apparently also anxious to extract the 9th Division from what they believe to be the "corrupting influences" of Lebanon.//

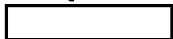
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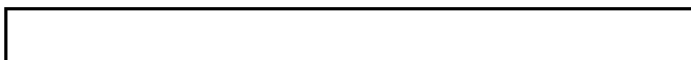
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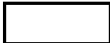
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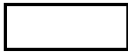



FEATURE ARTICLES


USSR: Central Committee Plenum



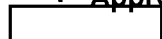
 If custom prevails, the session of the Soviet legislature scheduled for Wednesday will be preceded by a two-day Central Committee plenum. This gathering would provide the first formal opportunity to reassign the responsibility for agriculture within the party leadership since the death last summer of Fedor Kulakov. Several younger members of the leadership have been maneuvering for the job in order to strengthen their positions in the succession sweepstakes, but their obvious ambitions may cause President Brezhnev to appoint a much junior party official.

 When he died at 60, Kulakov was the only member of the leadership under 70 who was a member of both the Politburo and the Secretariat. Brezhnev and his colleagues may choose a middle-level party official to assume Kulakov's responsibility for agriculture without giving him a seat on the Politburo. This would be consistent with most appointments to the Secretariat. Of the 11 officials appointed to the Secretariat since Brezhnev took charge in 1964, only two--Andrey Kirilenko and Dmitriy Ustinov--had or obtained Politburo status at the time of their appointments.

 For Brezhnev and Kirilenko, who appears now to have the best chance to succeed the General Secretary on an interim basis, this option would make them less vulnerable to a new power center that might otherwise emerge among present members of the Politburo. This would leave the leadership even less prepared for Brezhnev's departure than it has been in recent years, but Brezhnev has shown little concern for this problem.

 The Politburo may, on the other hand, persuade Brezhnev to appoint one of its own to the Secretariat. The prospects of several Politburo members or candidate members who are based outside the capital would improve immensely if they could move into the Secretariat and therefore to Moscow.

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25X1 [] Those favoring this option can argue that the importance of agriculture requires the full-time attention of a Politburo member. They can also point out that Brezhnev needs more help at the highest levels because of his declining physical stamina. Brezhnev is relying extensively on his aides and has already delegated considerable party and industrial management responsibilities to Kirilenko.

25X1 [] Brezhnev's physical condition, therefore, provides an excuse for his particularly ambitious colleagues to make the case for a move toward resolving the stalemate over the succession after both Brezhnev and Kirilenko have left the scene. Two of the five leaders contending for Kulakov's job have close ties to Brezhnev; the other three are close to senior secretary Mikhail Suslov. These divisions make it difficult to resolve the succession question and have probably helped Brezhnev prevent moves in that direction. The succession issue now confronts the leadership more directly than before, however, and it may be one it can no longer avoid. []

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SPAIN: Trying Two Weeks Ahead

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[REDACTED] The next two weeks will be a trying, and perhaps crucial, period for Spain. Voters will almost certainly ratify the new Spanish constitution by a wide margin in a national referendum on 6 December, but violence-prone extremist groups of both the left and right are bitterly opposed to it. They see the next two weeks as their last chance to derail a charter that provides the basis for a stable democracy in Spain.

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[REDACTED] The government is firmly in control but it is clearly feeling the strain. The escalation of terrorist attacks in the Basque region has damaged morale in the security forces and deepened concern within the military over the ability of a democratic government to confront such implacable foes.

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[REDACTED] Prime Minister Suarez is, in effect, caught between the calls for harsher tactics to combat terrorism and the political need to reach an understanding with the Basques and other regional autonomists.

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[REDACTED] For several months terrorism has been the government's major preoccupation. So far, the violence has not threatened either the government's stability or the political consensus that has been a key factor in the democratic transition. It is, however, an unpredictable factor that could disrupt the political timetable, weaken the government's control over internal security forces, and cause lasting damage to relations between Madrid and the Basques. Although there are ultrarightists who use violence in an effort to provoke a military coup, the major threat now comes from the left; specifically from the Basque Fatherland and Liberty Organization--ETA--and the Groups of Antifascist Resistance First of October, which operates primarily in Madrid and Barcelona.

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[REDACTED] Primary concern has been focused on the ETA, whose savage and increasingly bold attacks in the Basque region have left dead 15 policemen, six civilians, and a naval officer since the beginning of October. Efficient, ruthless, and extremely difficult to penetrate, the ETA was probably responsible for the assassination of former Prime Minister Carrerero Blanco in December 1973; many

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Spaniards fear the Basque terrorists will now attempt another spectacular assassination--of the King, the Prime Minister, or a prominent military officer.

25X1 [] By escalating its campaign of terror now, the ETA aims:

--To create an atmosphere of fear to make Basques afraid to resist cooperating with the terrorists.

--To demoralize the security forces.

--To spark a cycle of violence and force the government into harsh repressions that will drive the Basque people closer to the ETA.

25X1 [] The ultraright is stepping up its own campaign against the government and the constitution. Feeding on the notion that democratization is somehow responsible for the terrorism, economic problems, and the unemployment that plagues Spain today, the far right is clearly growing in strength. Though insignificant at the polls--it won a scant 1 percent of the vote in the 1977 parliamentary election--it is a potential catalyst for demoralization in the police and the military.

25X1 [] Police morale in the Basque region is dangerously low. Terrorist depredations, the government's effort to halt police retaliation against the Basque populace, and reorganizations of the security forces have all taken their toll. Simmering discontent boiled over last month when police in Bilbao demonstrated publicly against their superiors. Mutinous rumblings are said to have even spread to the more tightly disciplined Civil Guard. The coup plot foiled by the government in mid-November was led by two police commanders but they apparently could not muster much support.

25X1 [] The military, by and large, is still firm in its loyalty; ultrarightist generals have been systematically transferred out of key positions. The military is nevertheless deeply concerned over the sagging morale among security forces and over the government's seeming inability to reduce terrorism. Many top military leaders are inherently conservative and thus not immune to the urgings from the civilian ultraright that the Army seize power. Some generals consider Suarez weak on law and order and have never forgiven him for legalizing the Communist Party--to them, Spain's greatest enemy.

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[] The other traditional preoccupation of the military is with the unity of Spain, which they believe is threatened by provisions for autonomy in the new constitution. The generals are particularly sensitive on the issue of Basque autonomy--in part because Basque demands go further than those of other regions, but also because the Basques fought so bitterly against Franco during the Civil War. //The Basque problem and its effect on the military is virtually a full-time concern of Defense Minister Gutierrez Mellado and his staff, []

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[] Gutierrez' concerns notwithstanding, military unhappiness does not seem to be coming to a head. Suarez has been largely successful in removing the military from the political arena, and disgruntled generals are left with little recourse but to attempt to apply pressure on the King behind the scenes. With the exception of a handful of ultrarightists, most of whom are closely monitored by the government, the generals have no apparent desire to stage a coup. They are not likely to move in that direction unless the situation deteriorates markedly and the security forces prove unable--or unwilling--to cope with wholesale civil unrest in the Basque region. King Juan Carlos, who has cultivated close ties in the armed forces, would not have left on his trip to Latin America last week if he had thought there might be serious trouble in the military.

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[] Politically, the government is still in a strong position. Suarez has won the support of the four major national parties, first for his past year's economic austerity plan, and then for the new constitution. All of the major parties from the Communists to the rightist Popular Alliance also support the government's efforts to fight terrorism and to seek a political solution to the Basque problem. With this backing, the government has been able to adopt stern measures in the Basque region. Madrid has allowed police in the Basque region to get tougher and has reinforced them with antiterrorist squads.

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[] These recent efforts, however, have had little effect so far; the ETA still operates with relative impunity and, as the constitution enters the home stretch, the pressure on the government is mounting. []

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LATE ITEM

WARSAW PACT: Policy Differences

25X1 For the first time in 10 years, the Soviets have publicly admitted that differences exist within the Warsaw Pact on a key policy issue. In a brief statement yesterday, the USSR and five of its Warsaw Pact allies condemned the recent Camp David accords. Presumably because of policy differences, the Romanians--also members of the Pact--left Moscow before the others issued the document.

25X1 The statement, issued after the two-day meeting of the Warsaw Pact Political Consultative Committee ended on Thursday, also endorsed the results of the Baghdad summit of Arab states. Romanian President Ceausescu, who participated at the session, is known to oppose any such formulations.

25X1 The Soviets and Romanians have a history of differences over the correct approach to the Middle East problem. While the Soviets have been virulently anti-Israeli, the Romanians have pursued a much more balanced policy toward Israel and the Arabs. Last year Ceausescu played a part in arranging the meeting of Egyptian President Sadat and Israeli Prime Minister Begin.

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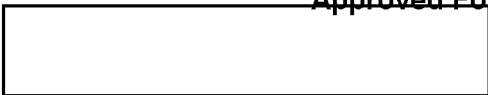
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